

Oil & Gas Production on Indian Lands



“OVERVIEW”

Oil & gas leases of Indian or Tribally owned trust minerals must be approved by the Superintendent

- Advertised leases
- Negotiated leases

AIPRA Sliding Consent Scale Applies To O&G Leases (except those reservations who have specific authorities).



In an advertised sale, prospective lessees generally submit bids for a bonus per acre dollar amount; the rental rate and royalty rate is established by the Agency

For negotiated leases, the bonus, rental, and royalty may all be negotiated between lessor and lessee



Bonus:

- A one time monetary amount offered as an incentive to the mineral owner for consenting to a lease

Annual rental:

- Annual monetary rental per acre

Royalty:

- A share of the oil and/or gas produced, usually expressed as a percentage; monetary or in kind



Bonus:

- Paid to lockbox and distributed through TAAMS.

Annual rental:

- Paid to lockbox annually and distributed through TAAMS during the primary term of lease; paid to ONRR during the production term of lease.

Royalty:

- Royalties reported monthly to ONRR by Industry and distribution made via the Mineral Royalty Accounting Distribution (MRAD) module in TAAMS.



Bonding is required.

Leases should not exceed one standard section in size; approximately 640 acres.

Primary lease term NTE 10 years but may continue for as long as the lease is producing in paying quantities.

Leases may be unitized or communitized.

A \$75 filing fee is charged for each lease, sublease, and assignment approval (regulatory).

A categorical exclusion satisfies NEPA for lease approval only; further NEPA required prior to drilling.



Communitization Agreements (CAs):

- 25 CFR § 211.28 and 25 CFR § 212.28, addresses communitization of Tribal and allotted mineral leases
 - A CA is for the efficient utilization of minerals
- Individual leases within a CA each receive a respective share of the well production based on the acreage of each lease committed to the CA
 - Production of one parcel deemed as production of all
 - All leases committed to the CA are held by production
 - CAs generally smaller in size and less controversial than Unit Agreements
- Consent of Indian mineral owner is not required unless such consent is required in the lease
 - Owners must be notified of the CA request
 - Superintendent may approve the CA



The following four Federal agencies play different roles in ensuring payments are collected, receipted and paid accurately:

- Bureau of Indian Affairs (BIA)
- Bureau of Land Management (BLM)
- Office of Natural Resources Revenue (ONRR)
- Office of Special Trustee for American Indians (OST)--



- The BIA issues the leases and maintains the lease and ownership records.
- The BLM oversees the drilling and lease operations. Approves Application for Permit to Drill (APD).
- The OST maintains the Individual Indian Monies accounts and makes the mineral royalty payments.
- The ONRR collects royalties and audits royalty payments.



BIA assists the owners in issuing the lease and setting the royalty rates and rental amounts. BIA ensures that the lease, allotment and ownership records are correct. These records are used to determine the correct royalty payment and to create the Oil and Gas Revenue Explanation of Payment (EOP) Report.

The EOP allows the beneficiaries to trace transactions to the quarterly IIM Account Statement of Performance.



2012 Oil and Gas Distribution Run Dates - 01/2012 to 12/2012

January 11, 2012 1st Distribution
January 25, 2012 2nd Distribution

February 15, 2012 1st Distribution
February 29, 2012 2nd Distribution

March 14, 2012 1st Distribution
March 28, 2012 2nd Distribution

April 11, 2012 1st Distribution
April 25, 2012 2nd Distribution

May 16, 2012 1st Distribution
May 30, 2012 2nd Distribution

June 13, 2012 1st Distribution
June 27, 2012 2nd Distribution

July 11, 2012 1st Distribution
July 25, 2012 2nd Distribution

August 15, 2012 1st Distribution
August 29, 2012 2nd Distribution

September 12, 2012 1st Distribution
September 26, 2012 2nd Distribution

October 10, 2012 1st Distribution
October 31, 2012 2nd Distribution

November 14, 2012 1st Distribution
November 28, 2012 2nd Distribution

December 12, 2012 1st Distribution

